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IN THE

Supreme Court of the United States

OCTOBER TERM, 1970

No.

CHEMICAL CLEANING, INC., JOHN H. RUSCH and GEORGE LEWIS, *Petitioners*

v.

THE DOW CHEMICAL COMPANY, *Respondent*

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

Petitioners, Chemical Cleaning, Inc., et al, pray that a writ of certiorari issue to review the decision of the United States Court of Appeals for the Fifth Circuit, which denied the Petitioner's request on rehearing for a remand to the lower court for a validity determination of the Respondent's patent in suit, based upon this Court's decision in *Lear* v. *Adkins,* 395 U.S. 653 (1969).

CITATIONS TO OPINIONS BELOW

The denial, dated December 17, 1970, by the Court of Appeals of Petitioner's request on rehearing for a determination of the validity of Respondent's patent is not reported and no opinion was given. The denial is printed in the Appendix hereto at page 17a. The first opinion by the Court of Appeals in this litigation is reported at 379 F.2d 294, (1967); (App., *infra,*

p. 4a); cert. denied, 389 U.S. 1040. The second opinion by the Court of Appeals in this litigation is reported at 434 F.2d 1212, (1970); (App. *infra*, p. 11a).

The Minute Entry of the District Court denying Petitioner's Motion to Dismiss is printed in the Appendix at page 19a. In the Appendix are also printed the District Court's Order of Injunction (1a), Conclusions of Law (2a), Judgment (3a), and Judgment After Accounting (10a).

JURISDICTION

The jurisdiction of this Court is invoked under Title 28 USC 1254(1). While review is admittedly discretionary, it is believed that this petition should be granted under Rule 19 of this Court since the Court of Appeals has decided federal questions in a way in conflict with applicable decisions of this Court; has also departed from the accepted and usual course of judicial proceedings; and has furthermore sanctioned such a departure by the District Court, as to call for an exercise of this Court's power of supervision.

Specifically, what is sought to be reviewed by this Court is the per curiam decision of the Court of Appeals dated December 17, 1970 denying Petitioner's request for a rehearing to remand the case to the District Court for a validity determination of Respondent's patent.

The statutory provisions believed to confer on this Court jurisdiction are 35 USC 281, 282, 283, 284, and 285.

QUESTIONS PRESENTED FOR REVIEW

1. Does a consent decree estop the raising of the issue of the invalidity of a patent in view of this Court's decision in *Lear* v. *Adkins*, 395 U.S. 653 (1969)?

2. Do the patent statutes, 35 USC 284 and 285, regulating the awards of damages and attorney's fees for the infringement of a patent, also regulate civil contempt proceedings for patent infringement?

CONSTITUTIONAL PROVISIONS AND STATUTES INVOLVED

This Case involves:

The Due Process Clause of Amendment 5 of the U.S. Constitution which provides in pertinent part:

> * * * nor shall any person * * * be deprived * * * property, without due process of law * * *.
>
> * * * * *

35 USC 281 provides:

> A patentee shall have remedy by civil action for infringement of his patent.
>
> * * * * *

35 USC 282 provides in pertinent part:

> A patent shall be presumed valid. The burden of establishing invalidity of a patent shall rest on a party asserting it.
>
> The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleased:
>
> (1) Noninfringement, absence of liability for infringement, or unenforceability,
>
> (2) Invalidity of the patent or any claim title as a condition for patentability,
>
> * * * * *
>
> (4) Any other fact or act made a defense by this title. * * *
>
> * * * * *

35 USC 283 provides:

> The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.

35 USC 284 provides:

> Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.
>
> When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.
>
> The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

* * * * *

35 USC 285 provides:

> The court in exceptional cases may award reasonable attorney fees to the prevailing party.

* * * * *

28 USC 1254(1) provides:

Courts of appeals; certiorari—

> Cases in the courts of appeals may be reviewed by the Supreme Court by the following methods:
>
> (1) By writ of certiorari granted upon the petition of any party to any civil * * * case * * * after rendition of judgment or decree * * *

BASIS FOR FEDERAL JURISDICTION OF DISTRICT COURT

The jurisdiction of the District Court as a court of first instance in invoked under:

28 USC 1400 provides in pertinent part

Patents—

> (b) Any civil action for patent infringement may be brought in the judicial district where the defendant resides, * * *.

* * * * *

STATEMENT OF THE CASE

Petitioners were sued in an infringement action on October 26, 1961 alleging infringement or Respondent's patent, No. 2,959,555, (Dow patent, hereinafter). No trial on the issues ensued because Petitioners decided, on advice of nonpatent counsel, to sign a consent decree offered as settlement by Respondents on December 7, 1961. In signing the consent decree, Petitioners were required to admit the validity of the Dow patent and damages were set at one dollar. An injunction was also issued by the District Court.

Petitioners, a small company, were competitors of the Respondent (Dow, hereinafter) in the utility boiler cleaning industry. Not being able to use the process of the Dow patent on signing the consent decree, petitioners contacted a company (Amchem Products, Inc.) supplying industrial chemicals in the cleaning field. Petitioners related their plight to Amchem and requested help in order that they could continue the cleaning of utility boilers in competition with Dow. Amchem stated that they had developed a new process using a different chemical than that used in the Dow

patent process which would perform the cleaning of utility boilers. Petitioners were apprehensive, but were told by Amchem that the new process would not infringe the Dow patent, that their legal department had given an opinion of noninfringement, and further that a patent application had been filed on the new process. However, Amchem would not relate the identity of the chemical used in the new process.

Petitioners began to practice the new process developed by Amchem and used the unknown chemical sold by Amchem in their boiler cleaning operations. After several boiler cleaning jobs, Dow filed a contempt action in April 1962 against Petitioners alleging infringement of the Dow patent and violation of the injunction in the use of the Amchem process and unknown chemical.

Amchem attempted to convince Dow that there was no infringement in the Amchem process used by the Petitioners at several meetings between the two companies. Not being successful, Amchem finally disclosed the identity of the chemical in their new process to Petitioners. Petitioners sought legal advice from patent counsel on the matter, were given opinions that there was no infringement based on independently obtained technical advice and legal principles, and further that the Dow patent was of doubtful validity based on results of a patent search which uncovered pertinent prior art which had not been before the Patent Office examiners when the Dow patent issued. On the basis of these opinions, Petitioners decided to contest the contempt charge.

A two-day trial before the District Court in July 1962 was worthless because the District Court reporter could not supply a transcript of the proceed-

ings. A second trial was ordered by the court which did not take place until October of 1964. In the meantime, Petitioners filed a motion to dismiss the contempt charge based on the fact that a patent had issued on the Amchem process and therefore there existed a fair ground of doubt as to the infringement. Accordingly, it was argued, that a regular infringement trial should be held on the real issues arising on the two patents, which would have included the question of validity of the Dow patent. The court denied the motion to dismiss and the Court of Appeals refused to rule on the matter on the first appeal.

At the second trial, the District Court found the Petitioners had infringed the Dow patent after conflicting testimony on the issue by experts on both sides. Incredibly, the District Court held that Petitioners willfully, deliberately, and knowingly violated the injunction based on the undisputed facts outlined above. The District Court's findings of fact were the in toto incorporation of Dow's proposed findings of facts presented with Dow's post-trial brief. The Court of Appeals refused to review the question of the knowing, deliberate and willful nature of the violation and further, viewed conscious and deliberate as substantially the exact equivalent.

After the first appeal to the Court of Appeals which affirmed the District Court's decision, the case was remanded for damages and attorney fees. The District Court found damages in the amount of $23,769.37 and doubled them because of the knowing and willful nature of the violation. Attorney fees and expenses, and salary costs of several of the Dow's employees were also awarded in the total amount of $43,273.67. Attorney fees, etc. were awarded in spite of the fact

that Petitioners requested and obtained a ruling that the case was not an exceptional one under 35 USC 285, regulating such awards in patent cases.

On the second appeal, questioning the awards, to the Court of Appeals, the District Court was affirmed. In the meantime, this Court handed down its decision in *Lear* v. *Adkins,* 395 U.S. 653. Petitioners filed a petition for rehearing and requested the Court of Appeals to remand the case to the District Court for a validity determination of the Dow patent. The petition cited the *Lear* case as a major change in the field of patent law, in that covenants not to contest the validity of patents are not enforceable, mainly on the grounds of public policy. Further, it was alleged and argued that Dow had practiced a fraud on the Patent Office in obtaining the Dow patent. Dow had failed to cite to the Patent Office Examiner its own prior art patent, which it was argued, should have been considered by the Examiner. In fact, the argument was made that the material prior art not cited created a prima facie case of fraud on the Patent Office. The Court of Appeals, in a per curiam decision, denied the Petition for Rehearing.

REASONS FOR GRANTING THE WRIT

One of the Petitioners, Chemical Cleaning, Inc., is now bankrupt as a direct result of the money judgments awarded to the Respondents. The company has not been able to raise needed working capital in view of the judgment. The individuals, John H. Rusch and George Lewis, officers of the company, have had their personal bank accounts and property attached by Dow and face possible financial ruin.

The patent laws were not enacted to provide means for larger companies to stifle and lessen competition from smaller companies. In this case, Dow has been able to use a patent of doubtful validity to bankrupt a competitor company. Through clever legal maneuvering and the harsh confines of the contempt forum, Dow has prevented and avoided any attack on the validity of their patent. In fact, it has never been subject to a validity determination in any jurisdiction. The evidence, if it could be presented to a court, would establish, in all likelihood, that the Dow patent is invalid on its merits in view of prior art not presented to the Patent Office. Dow's failure to present to the Patent Office its own prior art patent would certainly constitute a possible fraud on the Patent Office.

It is submitted that a patent gains no greater stature with respect to validity in a consent decree than it does in a license agreement. Within the rationale of *Lear,* a consent decree should not estop the raising of the defense of invalidity. The federal law of patents requires all ideas in general circulation be dedicated to the common good unless they are protected by a valid patent. The interests of the public are better served if validity challenges of patents are always freely permitted in any litigation and not discouraged or prevented by any means.

The lower courts, in not permitting the Petitioners to raise the issue of non-validity of the Dow patent have deprived the Petitioners of property without due process of law.

This Court in *Lear* overruled its previous holding in *Automatic Radio Co.* v. *Hazeltine Research, Inc.,* 339 U.S. 827 that a licensee was estopped to challenge

the validity of a licensed patent. The Court's rationale was based on public policy and clearly struck down the doctrine of licensee estoppel. In the instant case, a consent decree has estopped a legitimate challenge of the Dow patent.

In a recent case, decided at the federal court level, one signing a consent decree settling an infringement charge with an agreement to be licensed under the patent and to not contest its validity, was permitted to raise the issue of non-validity in a subsequent action by the licensor to recover royalties under the license. *Kraly* v. *National Distillers and Chemical Corp.* (D.C. N. Ill.) (decided October 20, 1970) 168 USPQ 51; —— F.2d ——-. The same result was arrived at in a recent New York Supreme Court decision. *Rialto Products, Inc.* v. *Rayex Corp.,* 166 USPQ 222; —— NYS 2d —— (decided June 30, 1970). The rationale in *Lear* was applied in both cases, that avoidance by settlement of a potential attack on a patent's validity is undesirable in view of public policy.

It is submitted that a consent decree should not estop the raising of the defense of non-validity of a patent.

As a subsidiary question, this Court is respectfully requested to review the issue of whether or not the patent statutes apply to contempt proceedings involving patent infringements. The Court of Appeals has ruled in this case that the specific patent statutes relating to awards of damages and attorney fees do not apply in contempt proceedings for patent infringement. The pertinency of the question in the instant case is manifested by the fact that Petitioners could not have been assessed for attorney fees if the patent

statute, 35 USC 285, were applicable. The District Court held that this was not an exceptional case under 35 USC 285. Accordingly, the court could not have awarded attorney fees. However, the court did award attorney fees based on its general discretion holding that the patent statutes do not apply in contempt proceedings.

The decision by the Fifth Circuit Court of Appeals that the patent statutes do not apply in contempt cases involving patents is in conflict with the decision of the Seventh Circuit Court of Appeals in *Union Carbide Corp.* v. *Graver Tank & Mfg. Co., Inc.,* 282 F.2d 653 (1960), wherein the Seventh Circuit applied 35 USC 285 in determining whether or not attorney's fees should be awarded in a contempt action aspect of that long and involved litigation.

Patent rights are created purely by congressional will and without patent statutes they would not exist. Patent rights are the exception to the deep-rooted policy in this country against monopolies. Patent rights are the most rigid kind of monopoly, since they exclude everyone from trade or commerce in the claimed subject matter of a patent. It is submitted that patent rights should not be permitted to be protected by any device which would preclude judicial scrutiny to determine whether or not the rights are valid.

The remedies for the violations of patent rights are what Congress has seen fit to prescribe expressly, and no more. Title 35 of the U.S. Code sets forth the patent right, how it is acquired, its limitations, and the only remedies for the violation of the right. With respect to damages and attorney fees for vio-

lation of the patent right, 35 USC 284 and 285 expressly set forth the guidelines for their awards. Departure therefrom abrogates the congressional intent.

This Court is respectfully urged to grant this petition.

Respectfully submitted,

M. TED RAPTES
Attorney for Petitioners
1911 Jefferson Davis Highway
Arlington, Virginia 22202

Of Counsel:

MILLEN, RAPTES & WHITE
Arlington, Va. 22202

APPENDIX

U. S. DISTRICT COURT FOR THE
EASTERN DISTRICT OF LOUISIANA

DOW CHEMICAL CO.

v.

CHEMICAL CLEANING, INC.

Order of Injunction

(Number and title omitted) (Filed: December 7, 1961)

The above-entitled action having been brought by The Dow Chemical Company for infringements by Chemical Cleaning, Inc., John H. Rusch and George Lewis of United States Letters Patent 2,959,555 and the following having been stipulated and agreed by and between the parties hereto, by their respective counsel,

IT IS ORDERED, ADJUDGED AND DECREED:

1. That this court has jurisdiction over the parties hereto and the subject matter hereof.

2. That United States Letters Patent 2,959,555, issued November 8, 1960, is valid; and that plaintiff, The Dow Chemical Company, is the lawful owner of the entire right, title and interest in and to said Letters Patent and the inventions thereof and has been such owner thereof since its date of issuance.

3. That defendants, Chemical Cleaning, Inc., John H. Rusch and George Lewis, have infringed said Letters Patent 2,959,555 by using or causing to be used methods of said Letters Patent and by making, causing to be made, using or causing to be used, selling or causing to be sold products of said Letters Patent.

4. That as a result of said infringements by Chemical Cleaning, Inc., John H. Rusch and George Lewis of said

Letters Patent, plaintiff, The Dow Chemical Company, has incurred, since the date of issuance of said Letters Patent, damages according to law.

5. That a Writ of Injunction issue out of and under the seal of this court directed to defendants, Chemical Cleaning, Inc., John H. Rusch and George Lewis, their officers, agents, servants, attorneys, employees, associates and privies and those persons in active concert and participation with them, enjoining and restricting them and each of them from directly or indirectly infringing United States Letters Patent 2,959,555 and from offering or advertising so to do, and from aiding or abetting in any way contributing to the infringement of any of the claims of said Letters Patent.

6. In lieu of an accounting, counsel for the respective parties have agreed upon damages, the payment and receipt of which is acknowledged.

s/ J. SKELLY WRIGHT
United States District Judge

DATED: December 7th, 1961

Conclusions of Law

1. This Court has statutory authority to grant relief and to award damages, costs, attorneys' fees and expenses, against defendants, for violation of an injunction in a patent infringement case. 35 U.S.C., §§ 283, 284 and 285.

2. In a contempt proceeding for violation of an injunction against infringement, the question is whether the modified composition is equivalent to the original in relation to the patent in the suit. *Patton* v. *Stone,* (5th Cir., 1949), 178 F. 2d 515, 517; *E-I-M- Co.* v. *Philadelphia Gear Works* (5th Cir., 1955), 223 F. 2d 36, 40.

3. The validity of the plaintiff's patent 2,959,555 has been determined between the parties and such issues are res judicata.

4. The modified solution employed by the defendants in their boiler cleaning operations is fully equivalent to the original adjudicated solution in relation to the patent in suit, and does the same work and accomplishes substantially the same result as thiourea. *Graver Tank & Mfg. Co. Inc.* v. *Linde Air Products Co.,* 1950, 339 U.S. 605, 608, 609, 70 S. Ct. 854, 94 L. Ed. 1097.

5. The use of Sequestrol 60 by defendants violated the injunction and constituted infringement of plaintiff's Patent No. 2,959,555.

6. Defendants knowingly and wilfully violated the injunction order of December 7, 1961, and are guilty of civil contempt.

New Orleans, Louisiana, December 30, 1965.

s/ HERBERT W. CHRISTENBERRY
United States District Judge

Judgment

(Numebr and title omitted) (Filed: January 7, 1966)

In accordance with the Findings of Fact and Conclusions of Law made and entered this date, the Court now makes and enters the following Judgment:

It is, for cause shown, ORDERED, ADJUDGED AND DECREED that the said defendants CHEMICAL CLEANING, INC., a corporation, JOHN H. RUSCH, individually, and GEORGE LEWIS, individually, are guilty of wilful civil contempt of this Court for having failed and refused to obey its Final Judgment and Injunction of December 7, 1961.

1. That defendants purge themselves of their contempt of this Court by taking the following action:

(a) Fully comply with all of the provisions of the Court's Final Judgment and Injunction of December 7, 1961;

(b) That defendants cease and desist from making, using, selling or offering for sale, in any manner whatsoever, said Sequestrol 60, and any other solution substantially equivalent thereto or in any manner whatsoever embodying the inventions disclosed and claimed in said Letters Patent No. 2,959,555, or from infringing upon said patents in any other way, for the respective life of said patent.

(c) That defendants pay to plaintiff general damages in the sum of $1,000.00, together with all costs of this prosecution.

New Orleans, Louisiana, December 30, 1965.

s/ HERBERT W. CHRISTENBERRY
United States District Judge

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

No. 23498

CHEMICAL CLEANING, INC., JOHN H. RUSCH and GEORGE LEWIS, *Appellants-Appellees,*

v.

THE DOW CHEMICAL COMPANY, *Appellee-Appellant.*

(And Reverse Title)

Appeals from the United States District Court for the Eastern District of Louisiana.

(June 15, 1967)

Before HUTCHESON, GEWIN and DYER, Circuit Judges.

HUTCHESON, Circuit Judge: This appeal is from a judgment of the district court holding Chemical Cleaning, Inc. (CCI) guilty of civil contempt in that it knowingly and

willfully violated an order which had enjoined it from further infringing a patent held by Dow Chemical. We affirm on the issue of contempt, but remand for a hearing on the issue of damages and costs.

On November 8, 1960, Dow obtained Patent No. 2,959,555 (hereafter Patent 555) which claims a chemical process to be used in the cleaning of industrial steam generating boilers. Such boilers accumulate on their metal sides incrustations of copper and iron oxide. The cleaning of the boilers involves the periodic removal of the incrustations. The cleaning job is made difficult by the fact that the copper, once removed, has a tendency to become redeposited on the metal surfaces before it can be flushed from the boiler. Patent 555 avoids that difficulty by the use of thiourea, a urea derivative, which acts as a sequestering agent to hold the copper within the cleaning solution until the whole solution can be flushed out of the boiler.

CCI also cleans industrial boilers by use of chemicals. Pursuant to a suit brought by Dow against CCI for infringement of Patent 555, the United States District Court for the Eastern District of Louisiana entered an order on December 7, 1961, that Dow's patent was valid and had been infringed in that CCI had employed thiourea in its boiler cleaning operations. An injunction was issued against CCI ordering that it refrain from further infringements of the patent.

CCI then began using another chemical compound, monomethylolthiourea, which it called Sequestrol 60. Dow filed the instant contempt action alleging that the use of the new solution constituted a violation of the injunction since Sequestrol 60 was merely thiourea to which formaldehyde had been added, and which, when used, disassociated to produce significant amounts of thiourea. The court below found that Sequestrol 60 was indeed the equivalent of thiourea and held CCI in civil contempt of the injunction. It is the issue of equivalency which we first consider.

In recognition of the fact that a patent would be virtually worthless if it did not protect against devices which incorporate only unimportant variations of the patented device, the doctrine of equivalents provides that a later-developed device will be regarded as the equivalent of the patented device if, although different in form or shape, it "performs substantially the same function in substantially the same way to obtain the same result." *Sanitary Refrigerator Co.* v. *Winters*, 280 U.S. 30, 42 (1929). In its early development, the doctrine generally was applied in cases involving the equivalence of devices having mechanical components. Today, however, the same principles are applied to compositions where there is equivalence between chemical ingredients. *Graver Mfg. Co.* v. *Linde Co.*, 339 U.S. 605, 609 (1955).

In *Graver*, the Supreme Court spoke to the problem of determining what constitutes equivalency:

> "Consideration must be given to the purpose for which an ingredient is used in a patent, the qualities it has when combined with the other ingredients, and the function which it is intended to perform."
>
> "*A finding of equivalence is a determination of fact.* Proof can be made in any form: through testimony of experts or others versed in the technology by; documents, including texts and treatises; and, of course, by the disclosure of the prior art. Like any other issue of fact, final determination requires a balancing of credibility, persuasiveness and weight of evidence. It is to be decided by the trial court and that court's decision, under general principles of appellate review, should not be disturbed unless clearly erroneous. *Particularly is this so in a field where so much depends upon familiarity with specific scientific problems and principles not usually contained in the general storehouse of knowledge and experience.*" Id, at 609-610. (emphasis added)

The district court sitting without a jury made full and complete findings of fact after considering expert testimony and the results of various experiments offered by both parties. Because there is little dispute as to the correctness of these findings, they need not be repeated in specific detail here. A brief summary will suffice. Sequestrol 60 is prepared by compounding thiourea and formaldehyde under alkaline conditions. The process is reversible, and the trial court found that under the boiler treating conditions employed by CCI, Sequestrol 60 disassociates to produce about 90% by weight of thiourea in the free or uncombined form, and some formaldehyde. The court determined that Sequestrol 60 does the same work, is employed in the same way, and accomplishes the same result as thiourea in functioning as a copper sequestering agent. Sequestrol 60 was held to be the equivalent of the thiourea solution protected by Patent 555. Hence, it was decided that CCI had violated the injunction because it had further infringed Dow's patent by the use of Sequestrol 60; moreover, the violation was considered deliberate and willful.

CCI apparently does not attack the factual findings of the district court, but challenges only the conclusions to be drawn from such findings. CCI contends that the factual finding of equivalency will not support the conclusion of what it terms "legal equivalency" because the court erroneously failed to consider an expired patent, by denying its admission into evidence, which CCI claimed it was practicing. As pointed out in the *Graver* case, however, a finding of equivalency *is* a determination of fact. Furthermore, proof that CCI was practicing an expired patent should have been adduced at the original infringement proceeding. CCI's contentions on this point must be rejected, and we conclude that the district court's finding of equivalency, which is supported by considerable evidence, must be affirmed.

Dow filed a cross-appeal alleging that the district court erred in failing to provide a separate hearing on the issue of damages and costs, including attorneys' fees, following the decision on the merits. The contempt action was filed by Dow on April 2, 1962, on the basis of CCI's cleaning activities at the Riverbend Station of the Duke Light & Power Company. Due to the failure of a court reporter to transcribe the first hearing, a delay of two years occurred before a recorded hearing was obtained, since the Riverbend cleaning operation was the only contemptuous activity known to Dow at the time this action was filed, Dow alleged damages of only $1,000 which were awarded it by the district court. Dow claims, however, that CCI had committed other contemptuous acts during the two-year period which the court should have considered, but did not, in its award of damages. Dow says no evidence going to prove increased damages was presented in the trial court pursuant to an express agreement between Dow's counsel and the trial court that the issues of liability and damages would be separated. The agreement was as follows:

> "Your Honor, I would like to clarify one thing, if I could. At the previous hearing it was my understanding that we would separate the issues of liability and damages and we would not go into proof of damages at this time. If that is still Your Honor's intention, Plaintiff rests."

"All right", answered the judge. We feel that Dow's counsel was inadvertently lulled into the belief that the issue of damages would be left to be considered separately. Yet damages were awarded without a further hearing for Dow to present its evidence thereon. CCI does not point to any part of the record which shows that this agreement subsequently was altered, nor do we have any reason to believe that it was.

The judgment holding CCI in civil contempt is affirmed. The award of $1,000 is reversed, and the case is remanded for a consideration of an award of damages and attorneys' fees, if any. In view of this disposition of the case, the motion by Dow to dismiss CCI's appeal is denied.

AFFIRMED IN PART; REVERSED AND REMANDED IN PART.

July 31, 1967

Per Curiam

The petition for rehearing is denied and no member of this panel nor judge in regular active service on the Court having requested that the Court be polled on rehearing en banc, Rule 25(a), subpar. (b), the petition for rehearing en banc is denied.

Judgment

This cause came on to be heard on the transcript of the record from the United States District Court for the Eastern District of Louisiana, and was argued by counsel;

ON CONSIDERATION WHEREOF, It is now here ordered and adjudged by this Court that the judgment of the said District Court in this cause be, and the same is hereby, affirmed in part, and reversed in part, and that this cause be, and the same is hereby remanded to the said District Court;

It is further ordered and adjudged that the appellants-appellees, Chemical Cleaning, Inc., John H. Rusch and George Lewis, be condemned, in solido, to pay the costs of this cause in this Court for which execution may be issued out of the said District Court.

June 15, 1967

Issued as Mandate: Aug. 10, 1967

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF LOUISIANA
NEW ORLEANS DIVISION

Civil Action No. 11665, Section "B"

THE DOW CHEMICAL COMPANY, a corporation,

versus

CHEMICAL CLEANING, INC., a corporation,

JOHN H. RUSCH, Individually & GEORGE LEWIS, Individually.

Judgment After Accounting

This cause came on for hearing on a previous day on objections to the findings of fact and conclusions of law, rendered by the special master on the statement of the account.

The Court, having considered the arguments of counsel, having studied the legal memoranda submitted by both parties, and having considered the evidence presented to the special master, accordingly;

IT IS ORDERED, ADJUDGED AND DECREED that this Court has jurisdiction of the parties and of the subject matter of this action;

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that plaintiff, The Dow Chemical Company, recover of defendants Chemical Cleaning, Inc., John H. Rusch and George Lewis *in solido*, the sum of $90,812.41 together with interest thereon at the legal rate from this date until paid.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that the Master's fees are hereby fixed at $5,900.00 and said Master's fees, and all other costs of this proceeding, be allocated between the parties in the proportion of 60% to the defendants and 40% to the plaintiff.

Dated at New Orleans, Louisiana this 28th day of July, 1969.

/s/ FREDERIK J. R. HEEBE
Judge, United States District Court

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

No. 28531

THE DOW CHEMICAL COMPANY, a corporation,
Plaintiff-Appellee-Cross-Appellant,

versus

CHEMICAL CLEANING, INC., a corporation, JOHN H RUSCH, Individually, and GEORGE LEWIS, Individually,
Defendants-Appellants-Cross-Appellees.

Appeals from the United States District Court for the Eastern District of Louisiana

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(November 6, 1970)

Before GEWIN, GOLDBERG and SIMPSON, Circuit Judges.

SIMPSON, Circuit Judge: The appellant Chemical Cleaning, Incorporated (CCI) was adjudged in the district court to have been guilty of willful and knowing violation of an injunctive order of the district court prohibiting it from further infringement of a Dow Chemical Company (Dow) patent relating to the process of acid chemical cleaning of utility boilers. In an opinion reported at 379 F.2d 294 we affirmed the district court and remanded for consideration of the questions of damages and attorney's fees. On remand the court below referred these matters to a Special Master for recommendations. The Special Master's report was adopted without variance. Damages and attorney's fees were awarded to Dow in the

amount of $90,812.41 together with interest. We consider an appeal by CCI and a cross-appeal by Dow based upon objections to the findings and awards as set forth in the report of the Special Master and as adopted by the trial court. We discern no reversible error in the record and affirm as to both appeals.

CCI first complains that the district court erred in awarding $23,769.37 as the profit which Dow would have earned on the boiler cleaning operations which CCI conducted in violation of the court order against infringement. The crux of this charge is that the Dow patent covered only one step in the two-step boiler cleaning operations, and therefore Dow is entitled to damages for only those profits it would have received from completion of the one step. The argument is that the damages should be apportioned as to each step in the process, and awarded as to the infringing step only.

The district court found by its Finding of Fact No. 5 that the boiler cleaning operation was in fact a two-step process, and that the first step in the process did not involve the use of Dow's patent. However, the court further found that the two stages were interrelated and that CCI could not have performed the non-infringing first step without also performir the infringing second stage. (Finding of Fact No. 13). This critical finding was based on evidence that in every instance the bid specifications required that the patented cleaning method be performed alone or in combination with another stage, and that in those cases where two stages were specified, the bid would not have been awarded to a bidder unable to perform both stages. It follows of course that if CCI had violated the injunction, Dow would have received the entire bid. Apart from a bald unsupported statement that the district court findings and award were incorrect, CCI fails to point out anything in the evidence upon which we can base a determination that the finding below was clearly erroneous. Rule 52(a), F.R.Civ.P. We are far from "convinced that

a mistake has been made". *McAllister* v. *United States*, 348 U.S. 19, 75 S.Ct. 6, 99 L.Ed.2d 20 (1954).

The district court doubled the award of damages to Dow for lost profits because of the "knowing and willful violation by [CCI] of the writ of injunction". CCI on this appeal would relitigate the question of the knowing and willful nature of the violation. That matter was determined in the previous litigation before this Court and is clearly *res judicata* here. Our consideration is confined to the propriety of double damages where it has been established that the violation of the injunction was "knowing and willful".

CCI argues that Title 35, U.S.C., Section 284[1] as illuminated in *Carter Products, Incorporated* v. *Colgate-Palmolive Company*, 214 F.Supp. 383 (D. Md. 1963), establishes a principle that in patent infringement cases the district court may award exemplary damages only where the infringement is "conscious and deliberate". Assuming arguendo that CCI's theory is correctly applied here, we view "conscious and deliberate" as the substantially exact equivalent of our language on the prior appeal, 379 F.2d 294 at 297, approving the lower court's determination that CCI's violation of the injunction was "deliberate and willful". The two terms obviously and

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[1] "§ 284. Damages

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

"When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.

'The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances. July 19, 1952, c. 950, § 1, 66 Stat. 813."

interchangeably refer to the element of scienter. Thus even accepting CCI's argument, it is clear that the court had the power to award double damages. *Baltz* v. *Walgreen Company*, 198 F.Supp. 22, 27 (W.D. Tenn. 1961); Title 35, U.S.C., § 284, footnote 1, supra.

But CCI's argument fails to recognize that this is a civil contempt proceeding, not a patent infringement suit. The patent infringement was established in the previous round of litigation; we here determine the appropriateness of damages, compensatory and exemplary, for willful violation of a court order. *Siebring* v. *Hansen*, 8 Cir. 1965, 346 F.2d 474, 480; *Textag Company* v. *Hayslip*, 5 Cir. 1951, 192 F.2d 435, 438. In dealing with a civil contempt proceeding the district court was not bound by the provisions of Title 35, U.S.C., § 284. Rather it was free to exercise the inherent discretion possessed by a court to correct willful violations of its solemnly passed orders.[2]

CCI's confusion over the distinction between patent cases and contempt of court cases carries over into the area of attorney's fees and other expenses. CCI urges that the district court erred in awarding Dow $24,371.05 in attorney's fees, $5,917.77 for attorney's expenses and $12,984.85 for salary costs for several Dow employees involved in the investigation by Dow. CCI argues that attorney's fees and other expenses may only be awarded in *patent cases* in accordance with statutes enacted by Congress. Title 35, U.S.C., § 285 provides:

> "The Court in exceptional cases may award reasonable attorney fees to the prevailing party".

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[2] Additionally, while not involved here, Title 18, U.S.C., § 401 gives courts of the United States power to punish by fine or imprisonment at its discretion

> "* * * *
>
> (3) Disobedience or resistance to its lawful writ, process, order, rule, decree, or command."

The court found that the facts of this case did not qualify it as an "exceptional" case. (Finding of Fact No. 27).

We iterate that this is not a patent infringement case—it is a civil contempt proceeding. There are contempt cases in abundant number holding that a court has discretion to ward reasonable attorney's fees and other expenses necessary to make an innocent party whole. *Broadview Chemical Corporation* v. *Loctite Corporation*, 159 U.S.P.Q. 80 (D. Conn. 1968), affirmed 2 Cir. 1969, 406 F.2d 538, cert. denied 394 U.S. 976 (1969); *Mead Johnson & Company* v. *Baby's Formula Service, Incorporated*, 5 Cir. 1968, 402 F.2d 23; *Chas. Pfizer & Co.* v. *Davis Edwards Pharmacal Corp.*, 2 Cir. 1967, 385 F.2d 533, 538; *Siebring* v. *Hansen*, supra; *Western Lighting Corp.* v. *Smoot-Holman Co.*, 9 Cir. 1965, 352 F.2d 1019, 1022; *Universal Match Corp.* v. *New Castle Prods., Inc.*, 7 Cir. 1962, 308 F.2d 842; *Sunbeam Corp.* v. *Golden Rule Appliance Co.*, 2 Cir. 1958, 252 F.2d 467; *Carter Prods., Inc.* v. *Colgate-Palmolive Co.*, supra; *Singer Mfg. Co.* v. *Sun Vacuum Stores, Inc.*, 192 F.Supp. 738, 742 (D.N.J. 1961); *Minnesota Mining & Mfg. Co.* v. *Neisner Bros., Inc.*, 122 F.Supp. 752, 755 (N.D. Ill. 1954).

Dow's cross-appeal also involves the court's award of attorney's fees. Dow paid approximately $78,000 in attorney's fees of which $48,744.11 was found to be incurred in preparation and support of the motion to show cause why CCI should not be held in contempt prior to the beginning of the accounting proceedings before the Special Master in February of 1968. Of the remainder, $25,110.00 was for attorney's fees charged during the accounting. Although the court found the attorney's fees to be reasonable, it also found that $48,744.11 was excessive in comparison to the amount of damages suffered by Dow, and therefore limited recovery of attorney's fees to one-half that amount. No damages were awarded for attorney's fees incurred during the accounting.

The district court apparently concluded that the bid specifications sufficiently informed Dow of the approx-

imate damages, and that knowing this Dow proceeded nonetheless to bind itself for inordinately high legal expenses. It is also shown that Dow incurred substantial expenses in an unsuccessful attempt to establish a damage figure of $87,200.00 based on an incremental lost profit theory, as opposed to the $23,769.11 figure computed on the basis of actual net profit lost by Dow. Dow counters by arguing that the legal fees would have been much less but for the uncooperative and contrary attitude which CCI took toward the litigation. These are all warmed over versions of the arguments advanced by the parties to the Special Master and the district court. They represent matters in substantial conflict as to which the experienced trial judge has exercised his discretion. No abuse of that discretion is made manifest to us, and we affirm as to Dow's cross-appeal as well as to CCI's original appeal.

AFFIRMED.

IN THE UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

No. 28531

THE DOW CHEMICAL COMPANY, a corporation,
Plaintiff-Appellee-Cross-Appellant,

versus

CHEMICAL CLEANING, INC., a corporation, JOHN H. RUSCH, Individually, and GEORGE LEWIS, Individually,
Defendants-Appellants-Cross-Appellees.

Appeals from the United States District Court for the Eastern District of Louisiana

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ON PETITION FOR REHEARING AND PETITION FOR REHEARING EN BANC

(Opinion Nov. 6, 1970, 5 Cir., 1970, —— F.2d ——).

(December 17, 1970)

Before GEWIN, GOLDBERG and SIMPSON, Circuit Judges.

PER CURIAM: The Petition for Rehearing is DENIED and no member of this panel nor Judge in regular active service on the Court having requested that the Court be polled on rehearing en banc, (Rule 35 Federal Rules of Appellate Procedure; Local Fifth Circuit Rule 12) the Petition for Rehearing En Banc is DENIED.

UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

October Term, 1969

No. 28531

D. C. Docket No. C.A. 11,665, Div. "B"

THE DOW CHEMICAL COMPANY, a corporation,
Plaintiff-Appellee-Cross-Appellant,

versus

CHEMICAL CLEANING, INC., a corporation, JOHN H. RUSCH, Individually, and GEORGE LEWIS, Individually,
Defendants-Appellants-Cross-Appellees.

Appeals from the United States District Court for the Eastern District of Louisiana

Before GEWIN, GOLDBERG and SIMPSON, Circuit Judges.

Judgment

This cause came on to be heard on the transcript of the record from the United States District Court for the Eastern District of Louisiana, and was argued by counsel;

ON CONSIDERATION WHEREOF, It is now here ordered and adjudged by this Court that the judgment of the said District Court in this cause be, and the same is hereby, affirmed.

It is further ordered that defendants-appellants-cross-appellees pay to plaintiff-appellee-cross-appellant, the costs on appeal to be taxed by the Clerk of this Court.

November 6, 1970

Issued as Mandate: Dec. 28, 1970

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF LOUISIANA

Minute Entry, June 19, 1963, Christenberry, J.

Division A No. 11665

Civil Action

THE DOW CHEMICAL COMPANY

v.

CHEMICAL CLEANING, INC., ET AL.

This cause came on this day for hearing on motion of defendants to dismiss order to show cause and plaintiff's motion for contempt judgment; and motion of defendants to stay request for admissions.

PRESENT: Charles Merriam, Esq.
Attorney for Plaintiff

Ted Raptes, Esq.
Attorney for Defendants

Argument.

IT IS ORDERED that motion of defendants to dismiss order to show cause and plaintiff's motion for contempt judgment be, and the same is hereby, DENIED.

IT IS FURTHER ORDERED that motion of Defendants to stay request for admission be, and the same is hereby, DENIED, and defendants have 20 days to answer requests for admissions.

June 21, 1963

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1970.

No. 1478

CHEMICAL CLEANING, INC., JOHN H. RUSCH AND GEORGE LEWIS,

Petitioners,

vs.

THE DOW CHEMICAL COMPANY,

Respondent.

BRIEF IN OPPOSITION TO THE PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT.

CHARLES J. MERRIAM,
ALLEN H. GERSTEIN,
30 West Monroe Street,
Chicago, Illinois 60603,
Attorneys for Respondent.

Of Counsel:
MERRIAM, MARSHALL, SHAPIRO & KLOSE,
30 West Monroe Street,
Chicago, Illinois 60603,
Area Code 312 - 346-5750.

Date: April 9, 1971.

THE GUNTHORP-WARREN PRINTING COMPANY, CHICAGO

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IN THE

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vs.

THE DOW CHEMICAL COMPANY,

Respondent.

BRIEF IN OPPOSITION TO THE PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT.

STATEMENT OF THE CASE.

The Petition is from decisions on an *accounting* for damages arising from petitioners' deliberate disregard for an injunction against continued infringement of Dow's patent. It is a *contempt* case. No effort has ever been made to upset the original judgment from which the injunction issued.

ARGUMENT.

Question No. 1:

Petitioners question whether a consent decree serves to estop the raising of the issue of validity. However, petitioners never sought to challenge either the validity of the Dow patent or the effectiveness of the injunction entered at the close of the original infringement suit. Whether or not *Lear* v. *Adkins*, 395 U. S. 653 (1969) applies to consent judgments is besides the point.

In its former petition for writ of certiorari seeking review of the contempt finding, petitioners commented on the only instance in the trial court where it sought to refer to the "prior art":

> "[A]t the hearing the petitioners attempted and were denied entry into evidence an expired patent. *The purpose was not to attack validity of the respondent's patent*, but for the purpose of establishing" non-infringement. (Emphasis added.) (Petition for Writ of Certiorari to the United States Court of Appeals for the Fifth Circuit, Case No. 77, October Term 1967, page 7.)

Even if the lower court erred in entering a Consent Judgment which included a finding of validity, that "fact" would not excuse petitioners' violation of the subsequently issued writ of injunction. *United States* v. *United Mine Workers of America*, 330 U. S. 258, 293-4 (1947). Had petitioners wanted to contest validity after the Consent Judgment, they should have sought to reopen the judgment pursuant to FED. R. CIV. P. 60(b).

Question No. 2:

Petitioners have been found in contempt of a lawful writ of injunction. *Chemical Cleaning, Inc.* v. *The Dow Chemi-*

cal Co., 379 F. 2d 294 (5th Cir. 1967), *cert. denied* 389 U. S. 1040 (1968). Petitioners argue that the penalty for such a contempt is governed by the patent laws—even though the patent laws say nothing about contempt proceedings—rather than the long-standing practice in contempt cases.

The case law is clear that violations of court orders in "patent cases" are governed by contempt law, not Title 35 U. S. C. *Siebring* v. *Hansen*, 346 F. 2d 474, 480 (8th Cir. 1965); *Broadview Chemical Corp.* v. *Loctite Corp.*, 159 U. S. P. Q. 80, 86 (D. Conn. 1968), *aff'd* 406 F. 2d 538 (2d Cir. 1969), *cert. denied* 394 U. S. 976 (1969). See also *Leman* v. *Krentler-Arnold Hinge Last Co.*, 284 U. S. 448, 455-56 (1932).

CONCLUSION.

For the reasons above stated, the Petition should be denied .

Respectfully submitted,

CHARLES J. MERRIAM,
ALLEN H. GERSTEIN,
30 West Monroe Street,
Chicago, Illinois 60603,
Attorneys for Respondent.

Of Counsel:
MERRIAM, MARSHALL, SHAPIRO & KLOSE,
30 West Monroe Street,
Chicago, Illinois 60603,
Area Code 312 - 346-5750.